

Summary: Enacted
COMMUNITY HEALTH FY 2003-04 Budget
House Bill 4392
Public Act 159 of 2003



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Budget Overview

The Community Health budget provides funding for a wide range of mental health, substance abuse, public health, and medical services programs including Medicaid. Established in 1996, the Department also includes the Office of Drug Control Policy, the Office of Services to the Aging, and the Crime Victim Services Commission. The enacted DCH budget for FY 2003-04 totals \$9.5 billion Gross, \$2.6 billion GF/GP in funding.

Summary of Major Budget Issues

Medicaid Adult Benefits Waiver - Supports the new Medicaid Adult Benefits Waiver proposal to limit health care benefits for adults on Medicaid. A provision to continue hearing aid, podiatric, and chiropractic services for adults was vetoed by the Governor.

Pharmaceutical Services Savings - Includes Medicaid savings of \$90.4 million Gross, \$40.0 million GF/GP by adjusting MAC prices for generic drugs and reducing prescription drug costs through the multi-state purchasing initiative, as recommended by the Executive.

Medicaid Caseload, Utilization, and Inflation Increases - Increases the funding recommended to reflect anticipated growth in Medicaid expenditures due to caseload growth, health care utilization, and inflation by \$77.8 million Gross, \$32.4 million GF/GP above the Executive Recommendation.

Medicaid Mental Health Increases for CMHSPs - Concurs with the Executive recommended increase of \$58.9 million for Medicaid mental health services financed in part with local funds from CMHSPs, and \$22.7 million Gross, \$10.0 million GF/GP for a 1.6% capitation payment rate increase.

Family Planning Waiver - Adopts the family planning waiver proposal reflected in the Executive Recommendation to provide an additional \$2.25 million of federal Medicaid funds for family planning programs.

Bioterrorism Preparedness Federal Grant Increase - Reflects \$41.2 million Gross in additional federal grant funds for public health and hospital bioterrorism preparedness and response. The Governor vetoed \$1.0 million for a biosafety level 2/3 laboratory facility.

Medicaid Tobacco Settlement and Federal Revenues - Allocates a net increase of \$27.4 million of tobacco settlement revenue, significantly less than the \$126.7 million in tobacco settlement funds originally recommended by the Executive. \$168.4 million in federal Medicaid fiscal relief funds are also appropriated to replace GF/GP.

FY 2003-04 Recommendations

	FY 2002-03 YTD (as of 3/6/03)	Executive	House	Senate	Enacted	Difference: Enacted to 2002-03 YTD Amount %	
IDG/IDT	\$69,172,900	\$69,204,800	\$69,204,800	\$69,204,800	\$69,204,800	\$31,900	0.0
Federal	4,915,609,536	4,890,865,600	4,845,868,100	5,048,870,200	5,243,530,900	327,921,364	6.7
Local	938,759,100	806,552,500	806,552,500	805,256,100	812,256,100	(126,503,000)	(13.5)
Private	64,736,600	59,458,000	57,844,000	57,844,000	57,844,000	(6,892,600)	(10.6)
Restricted	804,921,500	707,327,400	650,962,500	650,962,600	737,408,300	(67,513,200)	(8.4)
GF/GP	2,416,210,412	2,583,938,600	2,648,369,200	2,583,938,600	2,558,570,700	142,360,288	5.9
Gross	\$9,209,409,748	\$9,117,346,900	\$9,078,801,100	\$9,216,076,300	\$9,478,814,800	\$269,405,052	2.9
FTEs	5,672.3	4,672.2	4,388.3	4,388.3	4,388.3	(1,284.0)	(22.6)

Major Budget Changes from FY 2002-03 YTD Appropriations:		YTD FY 2002-03	Enacted Change
1. Medicaid Adult Benefits Waiver		Gross	N/A (\$158,467,500)
Includes Medicaid program changes proposed by the Executive to provide limited health care benefits for caretaker relatives, persons currently enrolled in state and local indigent care plans, and adults in TANF-eligible households who currently have full Medicaid coverage. Funding to continue adult coverage for hearing aid, podiatric, and chiropractic services was vetoed (Sec. 1630).	Federal/Other	N/A	(48,567,400)
	GF/GP	N/A	(\$109,900,100)
2. Medicaid Caseload, Utilization, and Inflation Increases		Gross	\$6,071,770,300
Additional federal and GF/GP funding is recommended to reflect Medicaid costs associated with inflation, utilization and caseload growth. The increase is \$77.8 million Gross, \$32.4 million GF/GP over the Executive Recommendation, based on the consensus Medicaid base spending estimate.	Federal/Other	4,390,476,200	278,397,800
	GF/GP	\$1,681,294,100	\$218,595,800
3. Medicaid Capitation Payment Rate Increase for CMHSPs		Gross	\$1,324,695,900
Recognizes an increase of \$58.9 million for Medicaid Mental Health Services financed in part with local funds from CMHSPs. It also includes \$22.7 million Gross, \$10.0 million GF/GP for a 1.6% capitation payment rate increase to CMHSPs. The rate increase is financed by redirecting \$40.0 million from CMH Non-Medicaid Services for the Medicaid Adult Benefits Waiver program.	Federal	797,995,200	45,614,200
	Local	0	26,000,000
	GF/GP	\$526,700,700	\$10,000,000
4. Redirection of Funds to CMHSPs		Gross	\$271,346,700
Due to the closure of Northville Psychiatric Hospital for Adults with Mental Illness in FY 2002-03, the enacted budget increases funding for CMH Non-Medicaid Services by \$36.7 million GF/GP which has been redirected from CMHSP, Purchase of State Services Contracts. This adjustment corrects the Executive Recommendation in which funding for Medicaid Mental Health Services had been increased by \$83.2 million.	Restricted	1,582,400	0
	GF/GP	\$269,764,300	\$36,714,400
5. Increased Federal Grants for Substance Abuse Services		Gross	\$76,335,400
Includes \$4.2 million in additional and new federal grant funds for community substance abuse prevention, education and treatment programs. These funds are to be used as required by federal regulations for the Substance Abuse Block Grant and the State Incentive Grant Program.	Federal	57,744,900	4,213,000
	Restricted	1,460,000	0
	GF/GP	\$17,130,500	\$0

Major Budget Changes from FY 2002-03 YTD Appropriations:		YTD FY 2002-03	Enacted Change
6. Early Retirement Savings	Gross	N/A	(\$11,644,900)
Reflects early retirement savings totaling \$11.6 million Gross and \$6.1 million GF/GP for FY 2003-04 for the Department of Community Health. These savings are in addition to the net early retirement savings achieved during this fiscal year of \$7.5 million Gross and \$5.8 million GF/GP.	Federal	N/A	(1,069,700)
	Restricted	N/A	(202,600)
	Local	N/A	(4,276,800)
	GF/GP	N/A	(\$6,095,800)
7. Respite Services	Gross	\$1,000,000	\$0
Includes \$1.0 million GF/GP for respite care services for children with serious emotional disturbances and their families. The increase is financed by a reduction to the worker's compensation program. The Executive Budget proposed the elimination of funding for this line item.	Restricted	1,000,000	(1,000,000)
	GF/GP	\$0	\$1,000,000
8. Multicultural Services	Gross	\$3,163,600	\$500,000
Adds \$500,000 for the Multicultural Services line item in which these funds would be authorized to the Jewish Federation. The increase is financed from additional GF/GP savings realized from the Medicaid match rate change from 55.42% to 55.89% for Medicaid Mental Health Services.	GF/GP	\$3,163,600	\$500,000
9. CMH Non-Medicaid Services	Gross	\$271,346,700	\$4,532,100
Allocates \$4.5 million GF/GP for CMH Non-Medicaid Services that has been redirected from CMHSP, Purchase of State Services Contracts due to the rebasing of authorizations for state mental health facilities. This funding was not included in the Executive Budget proposal.	Restricted	1,582,400	0
	GF/GP	\$269,764,300	\$4,532,100
10. Family Planning Waiver	Gross	\$14,160,400	\$2,250,000
A new federal waiver will provide an additional \$2.25 million of federal Medicaid funds to expand family planning and pregnancy prevention services to low income women, as proposed by the Executive. Other funding adjustments of \$753,800 to this program are included in items 13 and 14.	Federal	7,615,200	2,250,000
	Restricted	2,985,100	0
	GF/GP	\$3,560,100	\$0
11. African-American Male Health Initiative Funding	Gross	\$106,700	\$0
Retains \$106,700 of GF/GP funding for the African-American Male Health Initiative. The Executive had proposed to eliminate this funding.	GF/GP	\$106,700	\$0
12. Bioterrorism Preparedness Grant Increase	FTEs	33.0	26.5
Reflects an additional \$41.2 million of federal funds for public health and hospital bioterrorism preparedness, response, and staffing. \$1.0 million is vetoed (Sec. 853).	Gross	\$8,383,700	\$41,196,200
	Federal	8,383,700	41,196,200
	GF/GP	\$0	\$0

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Enacted Change</u>
13. Public Health Federal Grant Increases Appropriates \$28.7 million Gross in additional federal grant funds for public health, family health, and aging programs, including \$19.5 million for the Women, Infants, and Children Supplemental Food program, \$3.3 million for senior community and nutrition services, and \$5.9 million for 13 other program areas, as proposed by the Executive.	Gross	N/A	\$28,646,700
	Federal	N/A	28,646,700
	GF/GP	N/A	\$0
14. Healthy Michigan Fund Revisions Replaces GF/GP funds with Healthy Michigan Fund monies for certain chronic disease, smoking, and pregnancy prevention programs, as recommended by the Executive.	Gross	\$57,765,900	(\$1,148,800)
	Restricted	57,765,900	(1,148,800)
	GF/GP	\$0	\$0
15. School Health Education Funding Provides \$500,000 GF/GP for school health education and the Michigan Model for Comprehensive School Health Education.	Gross	\$102,800	\$500,000
	Federal	102,800	0
	GF/GP	\$0	\$500,000
16. Early Childhood Collaborative Funding Includes \$524,000 GF/GP for an ongoing cooperative program with the Family Independence Agency and the Department of Education to fund community-based projects that foster healthy development for children 0-3 years of age.	Gross	\$0	\$524,000
	GF/GP	\$0	\$524,000
17. Diabetes Outreach Funding Provides \$250,000 GF/GP for statewide and community diabetes outreach programs of the Morris Hood Comprehensive Diabetes Center at Wayne State University, for which state restricted funds are eliminated.	Gross	\$208,300	\$41,700
	Restricted	208,300	(208,300)
	GF/GP	\$0	\$250,000
18. Pharmaceutical Services Savings Recognizes Medicaid savings, as proposed by the Governor, from maximum allowable cost price changes for generic drugs and lower prescription drug prices resulting from the multi-state purchasing initiative.	Gross	\$521,491,500	(\$90,443,400)
	Federal	291,528,900	(50,443,400)
	Tobacco	8,000,000	0
	GF/GP	\$221,962,600	(\$40,000,000)
19. Medical Services Restructuring Policy Changes Medicaid, MICHild, and Children's Special Health Care (CSHCS) policy revisions are included in the Conference Report as proposed by the Executive.	Gross	N/A	(\$29,799,900)
	Federal	N/A	(23,597,700)
	GF/GP	N/A	(\$6,202,200)
20. Eligibility for Caretaker Relatives Restores Medicaid eligibility for caretaker relatives and replaces \$6.0 million in federal funds with state GF/GP since coverage of this group was not eliminated and will not qualify for enhanced federal matching funds.	Gross	N/A	\$47,250,000
	Federal	N/A	26,659,200
	GF/GP	N/A	\$20,590,800

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		YTD FY 2002-03	Enacted Change
21. Medicaid Special Financing Payments	Gross	\$1,079,094,900	(\$256,662,800)
Concurs with the Executive proposed adjustments to reduce Medicaid special financing payments due to federal policies that limit the amount of such payments. As a result, State GF/GP revenues to fund the Medicaid program are increased.	Federal	670,336,700	(153,805,800)
	Local	840,638,900	(232,561,400)
	Restricted	160,429,500	(16,981,500)
	GF/GP	(\$592,310,200)	\$146,685,900
22. Federal Medicaid Fiscal Relief	Gross	N/A	\$0
Allocates \$168.4 million in federal funds due to the recently enacted temporary increase in the federal Medicaid match rate to 58.84% through June 2004.	Federal	N/A	168,400,000
	GF/GP	N/A	(\$168,400,000)
23. Tobacco Settlement Revenue Adjustments	Gross	N/A	\$0
Appropriates an additional \$27.4 million in tobacco settlement funds to replace state GF/GP that would be required for the Medicaid program rather than the \$126.7 million tobacco settlement revenue increase proposed by the Executive.	Restricted	N/A	27,384,000
	GF/GP	N/A	(\$27,384,000)
24. Detroit Medical Center	Gross	N/A	\$50,000,000
Provides \$50.0 million as a special Medicaid payment to the Detroit Medical Center to stabilize the hospital system and prevent service reductions.	Federal	N/A	27,945,000
	Local	N/A	7,000,000
	Restricted	N/A	15,055,000
	GF/GP	N/A	\$0

Major Boilerplate Changes from FY 2002-03:

Sec. 206. Contingency Funds – DELETED

Appropriates up to \$100.0 million in federal contingency funds, up to \$20.0 million in state restricted contingency funds, up to \$20.0 million in local contingency funds, and up to \$10.0 million in private contingency funds. Specifies that contingency funds are not available for expenditure until transferred according to provisions in Section 393(2) of the Management and Budget Act. The enacted budget does not retain current year language in which the Executive proposed to increase the ceiling on state restricted contingency funds and local contingency funds from \$20.0 million to \$50.0 million.

Sec. 224. Appropriation of Unexpended and Unreserved General Fund – NOT INCLUDED

Excludes new language recommended by the Executive to appropriate up to ½ of the unexpended and unreserved GF portions of FY 2002-03 appropriations made to the Department for salaries and wages expenses, contractual services, supplies and material expenses, information technology expenses and program operation costs in order to encourage administrative efficiencies.

Sec. 262. Expenditure of Appropriated Funds – MODIFIED

Modifies current year language to require the Department to provide a written explanation for all legislative transfers upon submission of the request for the legislative transfer by the Department of Management and Budget and an annual report of lapses by line item for this appropriation act. The Executive proposed the deletion of this section.

Sec. 428. Contingency Appropriation of \$100 Million for CMHSPs – MODIFIED

Modifies current year language that requires each CMHSP and affiliation of CMHSPs to provide local funds to be used as a state match required under the Medicaid program in order to increase capitation rates for CMHSPs and affiliations of CMHSPs. This section also requires the distribution of the rate increase to be based on a formula developed by a Committee established by the Department that includes representatives from CMHSPs or affiliations of CMHSPs and department staff. This section had been proposed for deletion by the Executive.

Major Boilerplate Changes from FY 2002-03:

Sec. 442. Medicaid Adult Benefits Waiver – MODIFIED

Revises current year language to express the Legislature's intent that the \$40.0 million transferred from CMH Non-Medicaid Services to support the Medicaid Adult Benefits Waiver be used to provide state match for increases in federal funding for primary care and specialty services provided to enrollees and economic increases for the Medicaid specialty services and supports program. Also requires the Department to request in a Medicaid Specialty Services waiver renewal application that the amount of savings retained by a Specialty Prepaid Health Plan (PHP) be changed from 5% to 7.5% of aggregate capitation payments. If the Department is unable to secure federal approval for this change, the Department is then required to allow PHPs and their affiliate CMHSP members to retain 50% of the GF/GP portion of funds allocated under the Medicaid Specialty Services waiver. This section had been proposed for deletion by the Executive.

Sec. 450. Audit and Reporting Requirements for CMHSPs – NEW

Requires DCH to establish a Work Group comprised of CMHSPs or specialty prepaid health plans and departmental staff to recommend strategies to streamline audit and reporting requirements for these entities.

Sec. 853. Bioterrorism Preparedness Funding Allocation – VETOED

New language to allocate up to \$1.0 million of federal bioterrorism preparedness funding to a Biosafety Level 2/3 certified laboratory facility, as allowed by federal law and regulations.

Sec. 1109. Volunteer Dental Services Program and Report – MODIFIED

A new subsection requires the Michigan Dental Association to report on the Association's efforts to increase its membership's participation as Medicaid providers.

Sec. 1250. Interdepartmental Grant to Judiciary for Drug Treatment Courts – NEW

Provides for \$1.8 million of federal Byrne grant money to be directed as an interdepartmental grant to the Judiciary for local drug treatment courts, in addition to the \$1.8 million funding that the Department currently distributes to local drug treatment courts from the Byrne grant, as proposed by the Executive.

Sec. 1621a. Disease Management Pilot Projects – NEW

Allows DCH to establish pilot projects to test the efficacy of disease/health management systems and use the savings in lieu of supplemental rebates to include the drug manufacturer's products on the preferred drug list.

Sec. 1625. Atypical Antipsychotic Medications – NEW

Directs the department to continue the practice of placing all atypical antipsychotic medications on the Medicaid preferred drug list.

Sec. 1628. CSHC Prior Authorization for Prescribed Drugs – VETOED

Exempts Children's Special Health Care Services recipients from needing prior authorization for prescribed drugs through the Pharmaceutical Best Practice initiative.

Sec. 1629. Maximum Allowable Cost (MAC) Drug Pricing – NEW

Requires the Department to base its MAC prices for generic drugs on the pricing available from at least 2 wholesalers who deliver in Michigan.

Sec. 1630. Medicaid Dental, Podiatric, and Chiropractic Services – VETOED

Continues hearing aid, podiatric, and chiropractic services at not less than the level provided on October 1, 2002. Prohibits restrictions on chiropractic services unless the recipient exceeds 18 visits within a year.

Sec. 1689. MICHoice Home and Community Based Services – MODIFIED

Gives priority in HCBS enrollment to nursing homes residents and those eligible for nursing homes, and requires screening to prevent unnecessary nursing home admissions. Directs DCH to transfer funds to the HCBS program for successfully moving persons out of nursing homes if there is a net reduction in the number of Medicaid nursing home days of care. Provides for a quarterly report on HCBS allocations and expenditures by regions and net cost savings. Requires competitive bid for administration of the new screening and assessment process for long-term care services.

Sec. 1715. Pharmaceutical Services Savings – NEW

Requires the pharmaceutical savings of \$18.9 million GF/GP in Part 1 to be achieved through implementation of the federal Medicare prescription drug program, or a withdrawal from the Medicaid Benefits Trust Fund.

Sec. 1716. Adult Benefits Waiver Hospital Case Rate – VETOED

Requires the hospital case rate under the Medicaid Adult Benefits Waiver to be set at a rate that does not exceed \$108.6 million in gross savings.

Major Boilerplate Changes from FY 2002-03:

Sec. 1717. Detroit Medical Center Payment – NEW

Requires \$7.0 million in local funds to be received by the state prior to distributing the Detroit Medical Center payment.